

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Proposed Policies and Programs
Governing Low-Income Assistance Programs.

Rulemaking 01-08-027
(Filed August 23, 2001)

**ASSIGNED COMMISSIONER'S RULING:
AUGMENTATION OF THE BUDGET FOR THE LOW-INCOME
ENERGY EFFICIENCY STANDARDIZATION PROJECT**

On June 2, 2003, the Standardization Project Team (Project Team) submitted the Low Income Energy Efficiency Program Measure Cost Effectiveness Study Final Report, pursuant to the Commission's direction in Decision (D.) 02-08-034 and D.02-12-019, which is one of the major work products associated with Phase 4 of the Standardization Project. In response to recommendations of the Low Income Advisory Board, the Commission initiated this project in 1999 to develop uniform, statewide program designs, and implementation of Low-Income Energy Efficiency (LIEE) measures. The utilities and project consultants (Regional Economic Research, Inc. and Richard Heath and Associates) comprise the Project Team, with coordination assistance from the Commission's Energy Division. During all phases of the project, interested parties and members of the public have been invited to participate at Project Team workshops, and comment on draft and final work products.

In its June 2, 2003 cover letter, the Project Team requests a budget augmentation of \$80,000 to cover the costs of incorporating Commission-adopted changes to the LIEE program manuals in response to the Cost-Effectiveness report, the Natural Gas Appliance Testing report submitted in May 2003, and

those changes adopted by the Commission in D.03-06-027. No comments were received in response to the Project Team's June 2, 2003 submittal.

At the request of Judge Gottstein, the project consultants submitted additional information concerning the budget augmentation request, including a financial summary of the Standardization Project that compared the total authorized budget with amounts invoiced to date, un-invoiced costs to date, and expected remaining costs of the project. The information submitted by the project consultants is presented in Attachment 1.

As indicated in that attachment, the authorized budget to date for all four project phases of the Standardization Project is \$3,275,396. This budget has been established by Assigned Commissioner rulings, consistent with the Commission's direction.¹ Attachment 2 presents a brief summary of the budget authorization history. Phases 1, 2, and 3 have been completed within their authorized budgets. For Phase 4, however, the project consultants expect a shortfall of approximately \$120,000. Phase 4 consists of work related to the cost-effectiveness analysis of LIEE program measures as well as Commission directed work on natural gas appliance testing (NGAT).

In considering whether the Project Team's request for an \$80,000 budget augmentation is reasonable, I make the following observations. First, of the \$120,000 in expected cost overruns for Phase 4, approximately \$ 25,000 appears to be associated with the type of tasks referred to in the June 2 cover letter, that is, with revising program manuals (Tasks 12 and 13), and approximately \$6,000 of that overrun is offset by expected budget under-spending for a similar category

¹ "The Assigned Commissioner shall direct the project with respect to the scope of work, budget and schedule." *Ibid.*, Ordering Paragraph 8. See also D.01-05-003, Ordering Paragraph 18.

of costs (Statewide User Guide for Cost-Effectiveness) under Task 15. That leaves a budget shortfall of approximately \$19,000 for making the necessary modifications in the manuals, recopying them and reissuing them to the utilities, based on Attachment 1.

I also note that close to \$20,000 in expected budget shortfalls is associated with Task 14, "Complete Final Gas Appliance Testing Standards and Procedures." However, as described in Attachment 1 to my January 28, 2002 ruling, the budget of \$77,000 for this task was adopted on a very interim basis because the extent of modifications to existing testing standards (and associated costs) would not be known until (1) the Project Team submitted its recommendations and (2) the Commission made a final determination on NGAT standards. Therefore, I believe it is premature to augment the authorized budget for this task. Moreover, it is not clear to me why the development of this particular set of standards would be as contentious or costly to develop as the consultants expect (See Attachment 1), once the Commission has ruled on the NGAT recommendations presented in the May 2003 report. When the Commission issues a final decision on this issue, the Project Team should provide more detail to justify its cost estimates for Task 14, along with an update of Attachment 1 for my consideration. Until then, I do not believe that any changes to budget authorizations should be made for this task.

The most significant budget overruns relate to work completed by the project consultants on the NGAT assessment, in particular Task 5 (Conducting NGAT field surveys), Task 6 (Analyze on-site data), and Task 7 (Prepare Phase 4 Report). The overruns for these tasks are \$16,653, \$32,251, and \$42,818 respectively, for a total of approximately \$92,000.

Based on my review of the Phase 4 report, the consultants' explanations in Attachment 1 and my consultation with Energy Division, I am persuaded that the

project consultants prepared a report that involved more comprehensive analysis and drafting and more complications in the field than could have been anticipated for the reasons they describe. However, I concur with the consultants that they should take some responsibility for the cost overruns, irrespective of the cause. Accordingly, they have requested far less in budget augmentation than the cost overruns experienced under Phase 4 to date, i.e., \$80,000 versus \$120,000.

Taking into consideration all of the above, I will authorize \$60,000 in budget augmentation today, to be allocated across Phase 4 tasks as the project consultants deem appropriate, with the exception of Task 14. At this time, no budget augmentation is authorized for this task. However, as discussed above, I will reconsider the budget authorization for Task 14 by subsequent ruling.

IT IS RULED that:

1. The Phase 4 budget for the Standardization Project shall be augmented by \$60,000. Project consultants may allocate this augmentation across the Phase 4 tasks as they deem appropriate, except that no budget augmentation is authorized for Task 14 at this time.

2. Within 30 days from the effective date of the Commission's final decision on NGAT standards, the Project Team shall update the financial information presented in Attachment 1 and prepare a detailed budget assessment for Task 14. This information shall be filed in the Commission's Docket Office and served on all appearances and the state service list in this proceeding. Comments are due 15 days after the date of filing, and replies are due 10 days thereafter.

Dated August 18, 2003, at San Francisco, California.

/s/ CARL WOOD

Carl Wood
Assigned Commissioner

ATTACHMENT 1

Supplemental Information on Project Team's Request For Budget Augmentation

Reasons for Budget Augmentation Request (August 1, 2003)

The cover letter of the Standardization Team's June 2, 2003 Final Low Income Energy Efficiency Program Measure Cost Effectiveness Study Report requested an augmentation of \$80,000 for the consultant support contract. That letter also indicated the general reasons for the request, based on what we knew at the time. While the consultant team reiterates its request for additional funds, the specific rationales for the request have changed somewhat based on our experience over the last two months. It should be understood that this note is being submitted by the consultants (RER/Itron and RHA), not by the utility members of the LIEE Standardization Team. Because of the need for rapid turnaround, this note has not been reviewed by the utilities.

The Excel file accompanying this note presents a summary of the budget for all four phases of the LIEE support contract. Another file (another Word file) provides a summary of all of the Commission actions that have authorized funding over the life of the project.

The budget status table provides several kinds of information:

- **Total Costs Invoiced to Date.** These costs are based on actual expenses and time spent.
- **Uninvoiced Costs to Date.** These are uninvoiced costs incurred through the end of July for RHA and through the end of the third week in July for Itron/RER. In Itron/RER's case, these are costs incurred since Itron/RER's total budget was exhausted. In RHA's case, these were costs incurred since January 1, 2003, on tasks that had reached their respective budgets.
- **Budget.** This accounts for the budgets authorized by the Commission for all four project phases thus far. As indicated, the overall budget amounts to \$3,275,396. Again, another file sent with this note provides detail on previous Commission authorizations.
- **Remaining Budget.** This indicates the remaining budget as of the end of July for RHA and the end of the third week in July for RER. As shown, the remaining budget is a negative \$48,084. That is, the support contractor costs have exceeded the budget by \$48,084 as of the dates indicated.
- **Expected Remaining Costs.** These represent the anticipated costs of tasks that have yet to be completed.
- **Expected Budget Shortfall.** This represents the shortfall that would be expected in the absence of a budget augmentation. As shown, this amounts to \$125,084.

- **Requested Augmentation.** This is the request made by the Standardization Team in the cover letter to its June 2, 2003 filing. As indicated, the Team requested \$80,000.

The reasons for the requested augmentation can be inferred from the expected budget shortfalls. RER/Itron and RHA are not requesting that the Commission authorize an augmentation large enough to cover the full shortfall. We recognize we have to take partial responsibility for some of the overruns. However, we do request an augmentation of \$80,000, which would provide partial coverage for these shortfalls. The primary reasons for the request are:

- As noted in the June 2, 2003 cover letter, some additional scope has been added to some tasks. Anticipating that the Commission will approve some change in the LIEE measure mix for 2004, for instance, it will be necessary to make the necessary modifications in the P&P and WIS Manuals, recopy them and reissue them to the utilities. Moreover, the Commission recently approved a set of changes in the P&P and WIS Manuals, and these Manuals will have to be revised accordingly and redistributed to the utilities.
- In some cases, increases in the consultants' work effort were not explicitly related to Commission decisions that altered the scopes of tasks. For instance, significant overruns were experienced in the analysis of Natural Gas Appliance Testing (NGAT) survey results and in the preparation of the NGAT report. It has to be understood that the consultant team has only limited control over the amount of work done on such tasks. The issue of NGAT policy has been extremely contentious. We cannot simply go away, analyze the data, write a report, and submit it for final approval by the Commission. In the course of analyzing the NGAT data and preparing the final report, we went through countless analyses, never-ending report drafts, and many meetings. During this process, utility and CPUC staff representatives justifiably asked for the data to be analyzed several different ways. While the comprehensiveness of the analysis was time consuming, it was necessary to satisfy all parties that views were being fairly represented and tested against the data. In order to reach consensus on many issues, report language had to be crafted many times. This whole process was interactive and time consuming. It should not be surprising that it lead to significant overruns on these tasks.

If the Commission has any further questions, we would be happy to answer them.

Fred Sebold
RER/Itron

Further Explanations for Phase 4 Budget Augmentation Request
(August 11, 2003)

This document provides additional explanations for the request for the augmentation of the LIEE Standardization Project Phase 4 budget. The explanations will relate to the spreadsheet sent to the Commission last Friday, August 8. To the extent possible, the rationale for the current request will be reconciled with the rationale provided in the June 2, 2003 cover letter.

As shown in the subject spreadsheet, RER and RHA expect to experience a budget shortfall of \$120,084 on Phase 4. This overall shortfall traces in general terms to the expansion of the Phase 4 scope and to excess costs for completing earlier tasks. In what follows, we describe these rationales by individual task, concentrating on those for which cost and budgets differ most appreciably.

- **Task 5. Conduct On-Site Surveys.** As noted in earlier correspondence with the Commission, the on-site surveys proved to be exceptionally costly to administer. RHA received one augmentation to recognize this fact, but still ran over the augmented budget by roughly \$16,000.
- **Task 6. Analyze On-Site Data and Task 7. Prepare Phase 4 (Natural Gas Appliance Testing, or NGAT) Report.** These two tasks are combined because the line between them is very fuzzy. The analysis of the on-site data and the preparation of the NGAT Report was an interactive process involving all members of the project team. RER and RHA conducted the analysis in several steps and prepared segments of the draft report. RER and RHA met with the Standardization Team several times to discuss the results of the analysis, as presented in the draft report sections. Each time, several issues were raised by the Team for further investigation. In response to these issues, RER and RHA conducted additional analyses, prepared revised reports, and presented the revisions to the Team. This process went on for an extended period. Both RER and RHA exceeded their respective budgets for these tasks. The total overrun was just over \$75,000. RER booked the excess costs to report preparation (Task 7), but RHA booked its excess costs to the analysis of on-site survey data (Task 6). At this point, these two tasks were essentially indistinguishable.
- **Task 9. Develop Recommendations for Pre-Approval Policies.** While a fair amount of time was spent on this task, the Team decided to recommend some discretion with respect to these policies, and prepared a set of descriptions of utility-specific practices in this area. Because the consultants bore less responsibility in this area than initially expected, costs fell short of the budget by approximately \$11,000.
- **Task 12. Additional Meetings, Workshops and Reply Comments.** The expected budget shortfall on this task is related primarily to additional work that needs to be done on the Weatherization Installations Standards (WIS) and Policy and Procedures (P&P) Manuals. As indicated in our June 2, 2003 cover letter, three types of changes in these manuals will have to be made in response to the Commission's previous and upcoming decisions:

- a.) Modifications to reflect changes in measure mixes;
- b.) Changes to reflect edits proposed by the Team in its January 31, 2003 filing; and
- c.) Changes designed to implement the NGAT policy chosen by the Commission.

We have used a conservative estimate of the time that will be spent preparing handouts for these meetings, attending the meetings, and (if and when necessary) developing reply comments.

- **Task 13. Revise P&P and WIS Manuals.** RER and RHA will have to implement changes in the manuals to reflect the changes discussed under Task 12. The estimated shortfall that will occur for this purpose is lower than mentioned in our June 2, 2003 request. This issue will be discussed below.
- **Task 14. Complete Final NGAT Testing Standards.** Once the Commission adopts an NGAT Policy, NGAT Standards will have to be developed. This process, like the process leading to NGAT policy recommendations, is extremely time-consuming and contentious. In our June 2, 2003 letter, we requested an additional \$35,000 for this task (\$25,000) and the modifications of the WIS Manual for the new NGAT policies (\$10,000). Our current estimate of the expected shortfall on this task is slightly lower than anticipated at the time the June 2 letter was drafted.
- **Task 15. Develop Statewide User Guide for CE Workbook.** We anticipate having some budget left over (approximately \$6,000) at the conclusion of this task, given our progress to this point.
- **Task 16. CPUC Staff Briefings and Orientations.** We are roughly at the half-way mark on this task, and anticipate having a bit of budget left over. To some extent, though, this will depend upon actual requests made by CPUC staff.

In general, the current request differs from the and the June 2, 2003 request in two ways.

- First, it recognizes overruns on earlier tasks (as well as budget excesses on a few tasks). RER recently discovered that RHA had incurred larger budget shortfalls on earlier tasks than we had known about. RHA was going to simply absorb these overruns, and had not invoiced RER for them because of the lack of sufficient budget. When RER and RHA discussed the current budget request and RER asked for a complete record of costs incurred by task, the RHA overruns became apparent.
- Second, the augmentation requests associated with increases in scope have been trimmed somewhat. To some extent, this is based on progress made since early June. However, it also reflects a desire to minimize this request for augmentation. In light of the large overruns on earlier tasks, RER and RHA decided to request partial compensation for earlier overruns and to use more conservative estimates of the costs of new scope items.

We appreciate the Commission's willingness to consider this request.

APPENDIX OF ATTACHMENT 1
Summary of Status of LIEE Support Contract

ATTACHMENT 2

LIEE Standardization Project Budget Authorization History

Phase	Ruling/Decision	Type	Date	Budget
Phase 1	Neeper ACR	Initial budget	9/11/2000	203,210
Phase 2	R. 98-07-037	Initial budget	9/11/2000	199,910
Phase 3	R. 98-07-037	Initial budget	9/11/2000	318,720
Phase 3	Lynch ACR	Augmentation	6/6/2001	325,430
Phase 3	R. 01-08-027	Augmentation	2/19/2002	122,502
Phase 4	R. 01-08-027	Initial budget	2/19/2002	1,433,273
Phase 4	Acr	Augmentation	1/28/2003	672,351
Total Budget Approved to Date, All Phases				\$3,275,396

(END OF ATTACHMENT 2)

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Assigned Commissioner's Ruling: Augmentation of the Budget for the Low-Income Energy Efficiency Standardization Project on all parties of record in this proceeding or their attorneys of record.

Dated August 18, 2003, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.